

AUDITING PROCEDURES REPORT

Issued under P.A. 2 of 1968, as amended. Filing is mandatory.

Local Government Type: <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name: District Court No. 51 for the Charter Township of Waterford, Michigan	County Oakland
Audit Date December 31, 2005	Opinion Date May 12, 2005	Date Accountant Report Submitted To State: June 30, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:


1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations.

You must check the applicable box for each item below:

- | | |
|---|---|
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91] or P.A. 55 of 1982, as amended [MCL 38.1132]) |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> yes <input checked="" type="checkbox"/> no | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Reports on individual federal assistance programs (program audits).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
Single Audit Reports (ASLGU).	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>

Certified Public Accountant (Firm Name): PLANTE & MORAN, PLLC			
Street Address 27400 Northwestern Highway	City Southfield	State MI	ZIP 48034-4724
Accountant Signature 			

**District Court Funds of District No. 5 I
Charter Township of Waterford
Oakland County, Michigan**

**Financial Report
with Supplemental Information
December 31, 2005**

District Court Funds of District No. 5 I Charter Township of Waterford

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Independent Auditor's Report

To the District Judges of the 51st District
Charter Township of Waterford
Oakland County, Michigan

We have audited the basic financial statement of the District Court Funds of District No. 51, Charter Township of Waterford as of December 31, 2005. This financial statement is the responsibility of the District Court's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the financial position of the District Court Funds of District No. 51, Charter Township of Waterford as of December 31, 2005, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statement does not present a management's discussion and analysis, which would be an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of, the basic financial statement.

Our audit was conducted for the purpose of forming an opinion on the District Court Funds of District No. 51, Township of Waterford's basic financial statement. The accompanying other supplemental information, as identified in the table of contents, is presented for the purpose of additional analysis and is not a required part of the basic financial statement. The other supplemental information has been subjected to the auditing procedures applied in the audit of the basic financial statement and, in our opinion, is fairly stated in all material respects in relation to the basic financial statement taken as a whole.

Plante & Moran, PLLC

May 12, 2006



A worldwide association of independent accounting firms

District Court Funds of District No. 5 I

Charter Township of Waterford

Statement of Net Assets

Fiduciary Funds

December 31, 2005

	Agency Funds		
	Depository Account	Bond Account	Total
Assets - Cash and investments (Note 2)	<u>\$ 162,508</u>	<u>\$ 124,441</u>	<u>\$ 286,949</u>
Liabilities			
Returnable bonds	\$ -	\$ 124,441	\$ 124,441
Due to:			
State Treasurer	38,734	-	38,734
Charter Township of Waterford	104,281	-	104,281
Other governmental units	18,563	-	18,563
Secretary of State	930	-	930
	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u>\$ 162,508</u>	<u>\$ 124,441</u>	<u>\$ 286,949</u>

District Court Funds of District No. 51 Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 1 - Significant Accounting Policies

The accounting policies of the District Court Funds of District Court No. 51, Charter Township of Waterford, Michigan (the "District Court") conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The District Court is governed by two elected judges. There are no component units.

The following is a summary of the significant accounting policies used by the District Court Funds of District Court No. 51:

The funds of the District Court are agency funds. The financial activities of the funds are limited to collection of amounts that are subsequently returned or paid to third parties. The funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. The District Court is responsible for traffic and moving violations, certain civil matters, and misdemeanors within the limits of the Charter Township of Waterford.

Note 2 - Cash and Cash Equivalents

Michigan Compiled Laws Section 129.91 (Public Act 20 of 1943, as amended) authorizes local governmental units to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations that have offices in Michigan. The District Court is allowed to invest in bonds, securities, and other direct obligations of the United States or any agency or instrumentality of the United States; repurchase agreements; bankers' acceptances of United States banks; commercial paper rated within the two highest classifications, which matures not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions, which are rated as investment grade; and mutual funds composed of investment vehicles that are legal for direct investment by local units of government in Michigan. The District Court's deposit and investment policies are in accordance with statutory authority.

The District Court has designated one bank for the deposit of its funds. The investment policy adopted by the District Court in accordance with Public Act 196 of 1997 has authorized investment in bonds and securities of the United States government and bank accounts and CDs, but not the remainder of State statutory authority as listed above.

District Court Funds of District No. 5 I Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 2 - Cash and Cash Equivalents (Continued)

Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District Court's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. At year end, the District Court had \$175,445 of bank deposits (certificates of deposit, checking, and savings accounts) that were uninsured and uncollateralized. The District Court believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, the District Court evaluates each financial institution it deposits funds with and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Court Operations

The costs relating to the operation of the District Court (including risk management) are a budgeted item of the Charter Township of Waterford, Michigan's General Fund and, accordingly, such costs are paid by the General Fund.

The District Court is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District Court has purchased commercial insurance for medical benefit claims and participates with the Charter Township of Waterford in the Michigan Municipal Risk Management Authority (the "Authority") risk pool for claims relating to property loss, torts, and errors and omissions; the District Court participates in the Charter Township of Waterford's self-insurance program for workers' compensation claims. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

The Michigan Municipal Risk Management Authority risk pool program operates as a claims servicing pool for amounts up to member retention limits and as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the insured.

District Court Funds of District No. 5 I Charter Township of Waterford

Notes to Financial Statements December 31, 2005

Note 3 - Court Operations (Continued)

The Charter Township of Waterford estimates the liability for general liability and workers' compensation claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. The District Court shares this risk with the Charter Township of Waterford, which has recorded this estimated liability for the entire program. Any liability allocable to the District Court is not considered to be significant.

Other Supplemental Information

District Court Funds of District No. 5 I

Charter Township of Waterford

Other Supplemental Information

Schedule of Cash Receipts and Disbursements

Year Ended December 31, 2005

	Trust and Agency Account	Bond Account
Cash and Cash Equivalents - January 1, 2005	\$ 203,705	\$ 151,787
Receipts		
Fines, fees, and court costs	2,537,310	-
Programs	18,709	-
Probation costs	171,139	-
Restitution	31,142	-
Bonds posted	-	260,221
Civil trust	-	25,569
Total receipts	2,758,300	285,790
Disbursements		
Transfers to Charter Township of Waterford	2,016,302	-
Penal fines	32,817	-
State Treasurer	690,259	-
Restitution	32,489	-
FAC	27,630	-
Net bonds returned	-	271,107
Civil trust	-	42,029
Total disbursements	2,799,497	313,136
Cash and Cash Equivalents - December 31, 2005	<u>\$ 162,508</u>	<u>\$ 124,441</u>

June 12, 2006

To the Honorable Judge Phyllis Mc Millen
Charter Township of Waterford
5100 Civic Center Drive
Waterford, MI 48329

Dear Judge McMillen:

We have recently completed the audit of the financial statements of the 51st District Court Waterford, Michigan (the "Court") for the year ended December 31, 2005. In addition to the audit report, we offer the following comments for your consideration:

Reportable Condition

Reportable conditions are significant deficiencies in the design or operation of the internal controls structure that have come to our attention and, in our judgment, could adversely affect the Court's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements.

In planning and performing our audit of the financial statements of the 51st District Court for the year ended December 31, 2005, we considered the Court's internal controls in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal controls. The purpose of an audit is to report on the financial statements, rather than provide assurance on the internal control structure; however, we consider the following item to be a reportable condition under standards established by the American Institute of Certified Public Accountants.

- Due to the size of the Court, there is a lack of segregation of duties between employees. The same individual collects cash, reconciles the cash drawer, and posts the journal entries to the general ledger. In addition, the same individual also has the ability to initiate and review all voids. To ensure the safeguarding of assets, these functions should be performed by separate individuals by shifting duties between existing staff.

To the Honorable Judge Phyllis Mc Millen
Charter Township of Waterford

June 12, 2006

Receipts and Disbursements

It was also noted during testing in the current year that while a reconciliation between cash receipts and cash disbursements was performed, there was a difference that could not be reconciled. We recommend that the Court ensure that the receipts and disbursements tie out to monthly transmittals.

We would like to thank the Court staff again this year for the cooperation and assistance they provided during the audit. If you have any questions or would like to discuss these items further, please contact us at your convenience.

Yours truly,

Plante & Moran, PLLC



Joseph C. Heffernan



Pamela L. Jadach